

PIUTE COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2004

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of County Commissioners
Piute County
Junction, Utah 84740

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Piute County as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Piute County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Piute County as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


As described in Note 1, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2005, on our consideration of Piute County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, condition assessment of the County's infrastructure and budgetary comparison information on pages 6 through 14, 39 and 40 through 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Board of County Commissioners
Piute County
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Piute County's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Piute County. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 3, 2005
Richfield, Utah

PIUTE COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of Piute County's financial performance provided an overview of the County's financial activities for the year ending December 31, 2004. This report is in conjunction with the County's financial statements.

All amounts, unless otherwise indicated, are expressed in thousands of dollars.

The purpose of the County is to provide general services to its residents which includes general government, public safety, public health, highways and public improvements, culture and recreation, and economic development. Additional services provided to residents in the unincorporated areas include road maintenance and fire control.

Financial Highlights

- * The assets of Piute County exceeded its liabilities as of the close of the most recent year by \$4,086 (net assets). Of this amount, \$161 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$59. The revenues met or exceeded the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, the Piute County governmental funds reported combined ending fund balances of \$584, an increase of \$57 in comparison with the prior year. Approximately 28 percent of this total amount, \$161 is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$105, or 12 percent of total general fund expenditures.
- * Piute County's total debt decreased by \$38 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Piute County's basic financial statements. Piute County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Piute County's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Piute County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Piute County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Piute County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Piute County include general government, public safety, public health, highways and public improvements, culture and recreation, and economic development. There are no business-type activities in the financial statements of Piute County.

The government-wide financial statements include not only Piute County itself (known as the primary government), but also one legally separate special service district. Piute County is financially accountable for this District. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Piute County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Piute County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Piute County maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, B-Road Fund and Municipal Building Authority Fund all of which are considered to be major funds.

Piute County adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those fund are *not* available to support Piute County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Refer to the table of contents for the location of the basic fiduciary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information concerning Piute County*.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Piute County, assets exceeded liabilities by \$4,086 at the close of the most recent fiscal year.

By far the largest portion of Piute County's net assets (86 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Piute County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Piute County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities:

A comparative analysis will be provided in future years when prior year information is available.

Piute County's Net Assets

	<u>2004</u>
Current and Other Assets	586
Capital Assets	<u>4,280</u>
Total Assets	<u>4,866</u>
Long-Term Liabilities Outstanding	692
Other Liabilities	<u>88</u>
Total Liabilities	<u>780</u>
Net Assets:	
Invested in Capital Assets (Net of Related Debt)	3,502
Restricted	423
Unrestricted	<u>161</u>
Total Net Assets	<u>4,086</u>

A portion of Piute County's net assets (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$161) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Piute county is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities increased Piute County's net assets by \$59. Key elements of this increase follows:

Piute County's Changes in Net Assets

	<u>2004</u>
Revenues:	
Program Revenues:	
Charges for Services	361
Operating Grants and Contributions	694
General Revenues:	
Property Taxes	197
Other Taxes	134
Unrestricted Investment Earnings	10
Other	<u>113</u>
Total Revenues	<u>1,509</u>

Piute County's Changes in Net Assets (Continued)

	2004
Expenses:	
General Government	527
Public Safety	240
Public Health	62
Highways and Public Improvements	490
Economic Development	83
Culture and Recreation	26
Interest on Long-Term Debt	22
	<hr/>
Total Expenses	1,450
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Increase in Net Assets	59
	<hr/>
Net Assets - Beginning	4,027
	<hr/>
Net Assets - Ending	4,086
	<hr/>

Financial Analysis of the Government's Funds

As noted earlier, Piute County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Piute County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Piute County's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Piute County's governmental funds reported combined ending fund balances of \$584, an increase of \$57 in comparison with the prior year. Approximately 28 percent of this amount \$161 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to: 1) highways and public improvements (\$380) and 2) other fund (\$44).

The general fund is the chief operating fund of Piute County. At the end of the current year, unreserved fund balance of the general fund was \$105, while total fund balance reached \$105. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures.

General Fund Budgetary Highlights

During the year the actual revenues were less than budgeted revenues by \$37 and actual expenditures were less than budgeted expenditures by \$64.

Capital Asset and Debt Administration

Capital Assets

Piute County's investment in capital assets for its governmental activities as of December 31, 2004, amounts to \$4,237 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings and equipment.

Also, the County has elected to use the modified approach to account for its infrastructure assets, such as roads and bridges. That information can be found in the required supplemental information following the notes to the financial statements.

Piute County's Capital Assets (net of depreciation)

	<u>2004</u>
Land	579
Buildings	2,593
Equipment	272
Vehicles	68
Infrastructure	<u>725</u>
Total	<u>4,237</u>

Additional information on Piute County's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Piute County had total bonded debt outstanding of \$713. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Piute County's Capital Assets (net of depreciation)

	<u>2004</u>
1998 Revenue Bonds	<u>713</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 2 percent of its total fair market value of taxable property in the County. Piute County has no General Obligation Debt. General Obligation Bonds are debts that are secured by taxing real and personal property for the payments. Revenue bonds are debts secured by a determined and allocated revenue source outside of property taxes.

Additional information on Piute County's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- * The unemployment rate for Piute County is 3.9 percent. This is lower than the State's average unemployment rate of 4.8 percent and lower than the national average rate of 5.4 percent which is consistent with prior years because of our rural nature.

These factors were considered in preparing Piute County's budget for 2005 year.

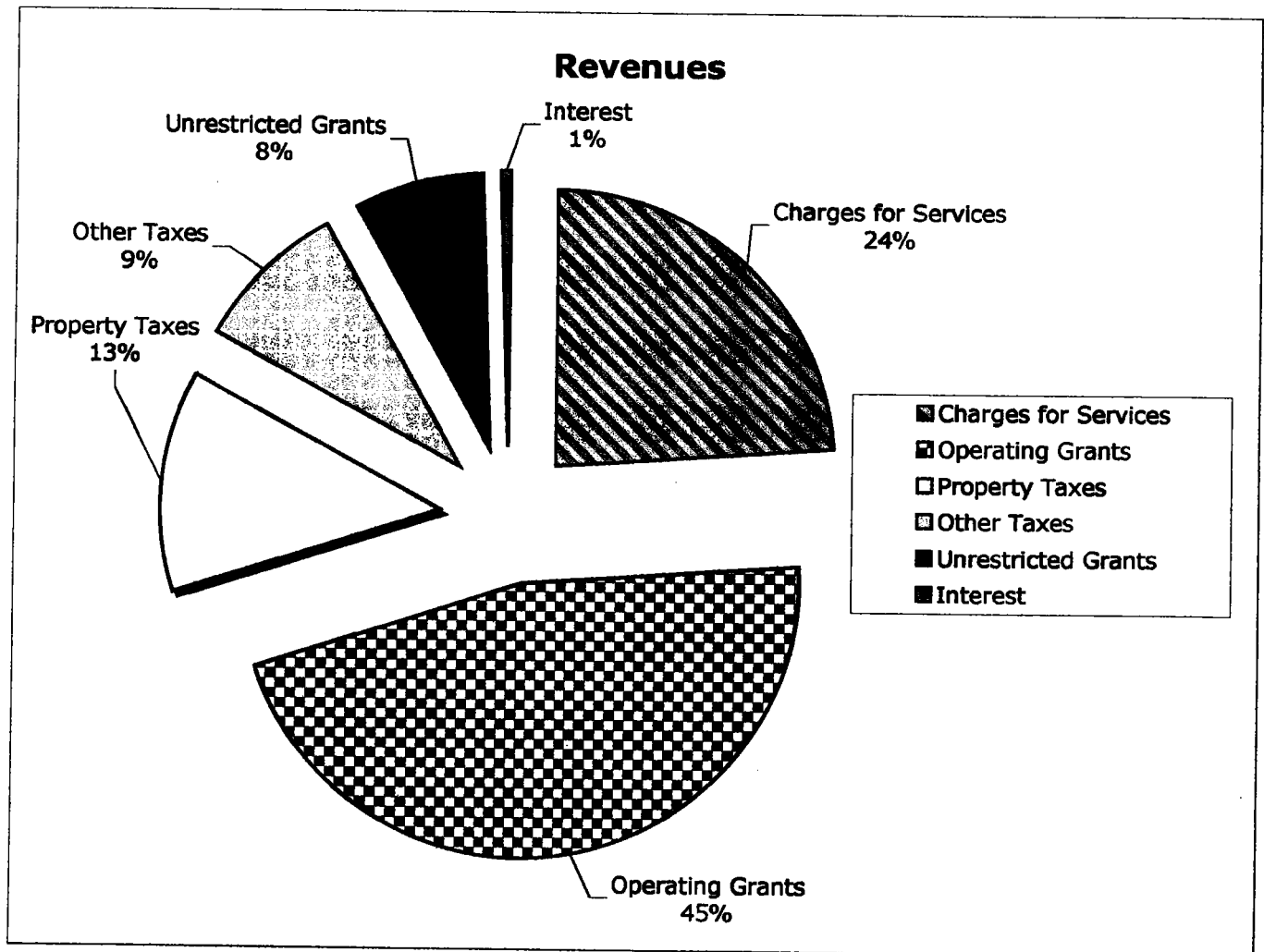
Other revenue sources have remained stable.

Request for Information

This financial report is designed to provide a general overview of Piute County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Piute County Clerk/Auditor, 550 North Main, Junction, Utah, 84740.

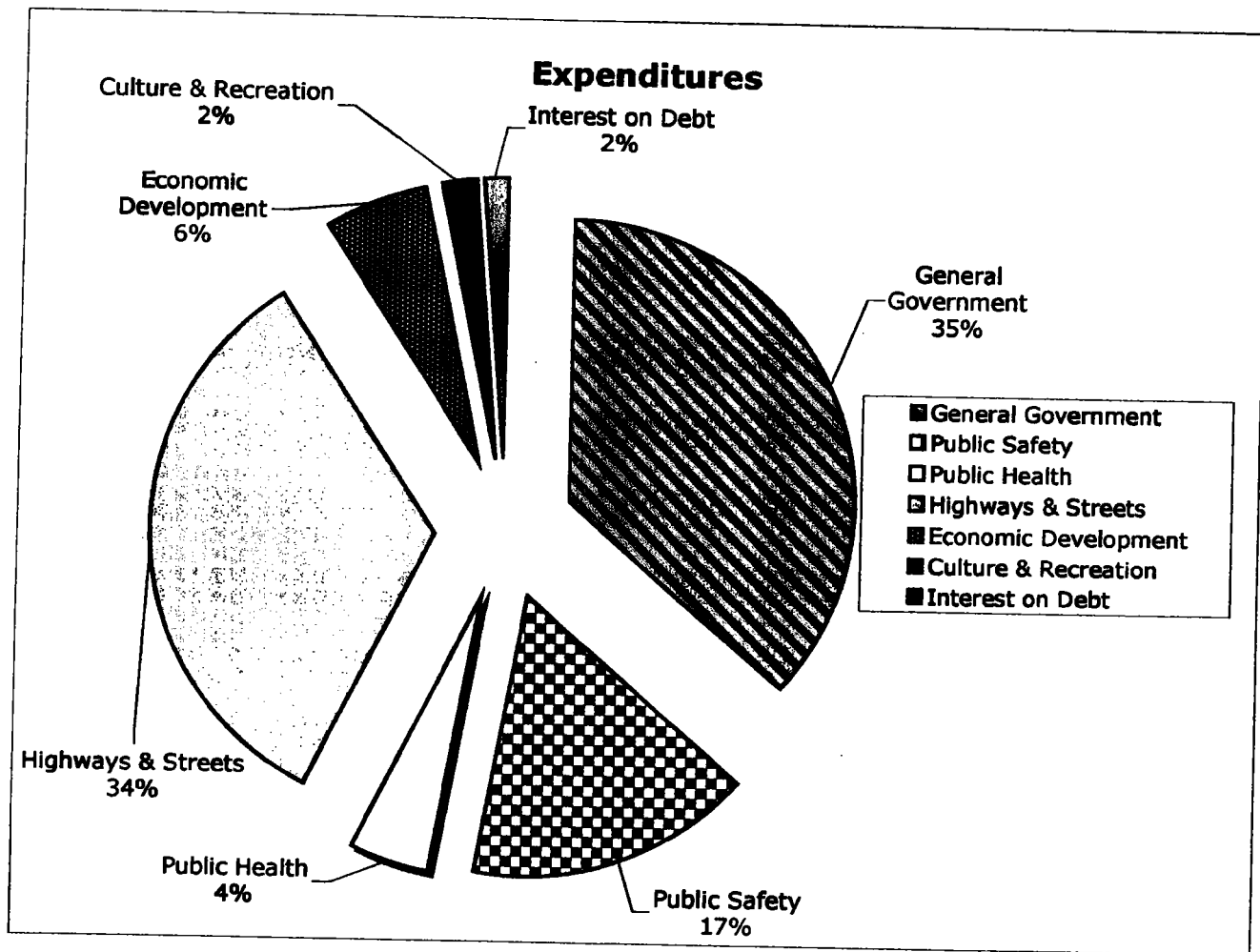
Piute County
Statement of Activities - Revenues
For The Year Ended December 31, 2004

Charges for Services	360,999
Operating Grants	693,782
Property Taxes	196,618
Other Taxes	134,262
Unrestricted Grants	113,302
Interest	<u>10,185</u>
Total	<u>1,509,148</u>



**Piute County
Statement of Activities - Expenses
For The Year Ended December 31, 2004**

General Government	526,693
Public Safety	240,226
Public Health	61,711
Highways & Streets	489,925
Economic Development	83,121
Culture & Recreation	26,636
Interest on Debt	<u>22,008</u>
Total	<u>1,450,320</u>



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**PIUTE COUNTY
STATEMENT OF NET ASSETS**

December 31, 2004

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	491,066	220,093
Due From Other Government Units	<u>95,324</u>	<u>-</u>
Total Current Assets	<u>586,390</u>	<u>220,093</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	43,704	6,045
Capital Assets (Net of Accumulated Depreciation):		
Land	579,000	2,000
Buildings	2,592,500	-
Equipment	271,960	10,350
Vehicles	68,000	-
Infrastructure	<u>725,250</u>	<u>11,050</u>
Total Noncurrent Assets	<u>4,280,414</u>	<u>29,445</u>
TOTAL ASSETS	<u><u>4,866,804</u></u>	<u><u>249,538</u></u>
LIABILITIES		
Current Liabilities:		
Cash Overdraft	-	43,260
Accounts Payable	46,153	-
Accrued Landfill Closure Costs	-	700
Accrued Interest Payable	20,200	-
Revenue Bonds Payable - Due Within One Year	<u>22,000</u>	<u>-</u>
Total Current Liabilities	<u>88,353</u>	<u>43,960</u>
Noncurrent Liabilities:		
Revenue Bonds Payable - More Than One Year	691,000	-
Compensated Absences	<u>1,640</u>	<u>-</u>
Total Noncurrent Liabilities	<u>692,640</u>	<u>-</u>
TOTAL LIABILITIES	<u>780,993</u>	<u>43,960</u>
NET ASSETS		
Investment in Capital Assets, Net of Debt	3,501,870	23,400
Restricted For:		
Class B Road	379,525	-
Bond Reserves	43,704	-
Landfill	-	6,045
Unrestricted	<u>160,712</u>	<u>176,133</u>
TOTAL NET ASSETS	<u>4,085,811</u>	<u>205,578</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>4,866,804</u></u>	<u><u>249,538</u></u>

The notes to the financial statements are an integral part of this statement.

**PIUTE COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2004

Function/Programs Primary Government: Governmental Activities:	Program Revenues			Net (Expense) Revenues Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Component Units
General Government	526,693	240,994	98,809	-	(186,890)
Public Safety	240,226	17,523	4,780	-	(217,923)
Public Health	61,711	-	55,170	-	(6,541)
Highways and Public Improvements	489,925	102,482	483,506	-	96,063
Economic Development	83,121	-	51,517	-	(31,604)
Culture and Recreation	26,636	-	-	-	(26,636)
Interest on Long-Term Debt	22,008	-	-	-	(22,008)
Total Primary Government	1,450,320	360,999	693,782	-	(395,539)
Component Units:					
Governmental Type:					
Landfill District	299,432	32,014	231,158	-	(36,260)
Total Component Units	299,432	32,014	231,158	-	(36,260)
General Revenues:					
Property Taxes					196,618
Fee-In-Lieu of Property Taxes					29,881
Sales Taxes					93,345
Transient Room Tax					11,036
Grants and Contributions Not Restricted to Specific Programs					113,302
Unrestricted Investment Earnings					10,185
Total General Revenues and Transfers					454,367
Change in Net Assets					58,828
Net Assets - Beginning					(32,075)
Net Assets - Ending					237,653
					4,085,811
					205,578

The notes to the financial statements are an integral part of this statement.

**PIUTE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2004

	<u>General Fund</u>	<u>Class B Roads Fund</u>	<u>Building Authority Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	134,858	300,815	99,097	534,770
Due From Other Government Units	<u>11,512</u>	<u>83,812</u>	<u>-</u>	<u>95,324</u>
TOTAL ASSETS	<u><u>146,370</u></u>	<u><u>384,627</u></u>	<u><u>99,097</u></u>	<u><u>630,094</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	<u>40,908</u>	<u>5,102</u>	<u>143</u>	<u>46,153</u>
Total Liabilities	<u>40,908</u>	<u>5,102</u>	<u>143</u>	<u>46,153</u>
Fund Balances:				
Reserved For:				
Class "B" Road	-	379,525	-	379,525
Bond Reserves	-	-	43,704	43,704
Unreserved, Reported In:				
General Fund	105,462	-	-	105,462
Special Revenue Funds	<u>-</u>	<u>-</u>	<u>55,250</u>	<u>55,250</u>
Total Fund Balance	<u>105,462</u>	<u>379,525</u>	<u>98,954</u>	<u>583,941</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>146,370</u></u>	<u><u>384,627</u></u>	<u><u>99,097</u></u>	<u><u>630,094</u></u>

The notes to the financial statements are an integral part of this statement.

PIUTE COUNTY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

December 31, 2004

Total Fund Balances - Governmental Fund Types	583,941
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	579,000	
Buildings	2,592,500	
Equipment	271,960	
Vehicles	68,000	
Infrastructure	<u>725,250</u>	
 Total		 4,236,710

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Revenue Bonds Payable	(713,000)	
Compensated Absences	(1,640)	
Interest Payable	<u>(20,200)</u>	
 Total		 <u>(734,840)</u>

Net Assets of Government Activities	<u><u>4,085,811</u></u>
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PIUTE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Year Ended December 31, 2004

	General Fund	Class B Roads Fund	Building Authority Fund	Total Governmental Funds
Revenues:				
Property Tax	196,618	-	-	196,618
Fee-In-Lieu of Property Tax	29,881	-	-	29,881
Sales Tax	93,345	-	-	93,345
Transient Room Tax	11,036	-	-	11,036
Licenses and Permits	11,103	-	-	11,103
Intergovernmental	353,936	346,631	55,000	755,567
Charges for Services	118,534	-	-	118,534
Fines and Forfeitures	40,676	-	-	40,676
Interest	5,506	3,947	731	10,184
Miscellaneous	82,959	102,481	56,764	242,204
	<u>943,594</u>	<u>453,059</u>	<u>112,495</u>	<u>1,509,148</u>
Total Revenues				
	<u>943,594</u>	<u>453,059</u>	<u>112,495</u>	<u>1,509,148</u>
Expenditures:				
Current:				
General Government	423,022	-	30,271	453,293
Public Safety	223,456	-	-	223,456
Public Health	55,711	-	-	55,711
Highways and Public Improvements	41,244	389,081	-	430,325
Culture and Recreation	26,636	-	-	26,636
Economic Development	83,121	-	-	83,121
Capital Outlay	64,000	55,000	-	119,000
Debt Service:				
Principal	-	16,703	21,000	37,703
Interest	-	-	22,608	22,608
	<u>917,190</u>	<u>460,784</u>	<u>73,879</u>	<u>1,451,853</u>
Total Expenditures				
	<u>917,190</u>	<u>460,784</u>	<u>73,879</u>	<u>1,451,853</u>
Net Change In Fund Balance	26,404	(7,725)	38,616	57,295
Fund Balance - Beginning	79,058	387,250	60,338	526,646
Fund Balance - Ending	<u>105,462</u>	<u>379,525</u>	<u>98,954</u>	<u>583,941</u>

The notes to the financial statements are an integral part of this statement.

PIUTE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	57,295
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Depreciation Expense	(156,120)	
Capital Outlay	<u>119,000</u>	
Total		(37,120)

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Accrued Interest Expense	600	
Bond Principal Payments	21,000	
Capital Lease Payments	16,703	
Compensated Absences	<u>350</u>	
Total		<u>38,653</u>

Changes In Net Assets of Governmental Activities	<u><u>58,828</u></u>
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**PIUTE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND**

December 31, 2004

ASSETS:

Cash and Investments	496,727
Taxes Receivable	22,172
Loans Receivable	<u>50,847</u>
TOTAL ASSETS	<u>569,746</u>

LIABILITIES:

Collections Payable	<u>516,855</u>
TOTAL LIABILITIES	<u>516,855</u>

FIDUCIARY NET ASSETS:

Net Assets	<u>52,891</u>
TOTAL FIDUCIARY NET ASSETS	<u>52,891</u>
TOTAL LIABILITIES AND FIDUCIARY NET ASSETS	<u>569,746</u>

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Piute County have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying financial statements present the financial position of various fund types and the results of operations of the various fund types. The financial statements are presented for the year ended December 31, 2004.

A. Reporting Entity:

For financial reporting purposes, Piute County has included all fund types. The County has also considered all potential component units for which it is financially accountable and that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

As required by generally accepted accounting principles, these financial statements present Piute County (the primary government) and its component unit. The component unit, the Special Service District #1, is included in the County's reporting entity because of the significance of its operational or financial relationship with the County. Complete financial statements of the individual component unit, which issued separate financial statements, can be obtained from the Piute County Clerk's office.

Discrete Component Unit:

This component unit is an entity which is legally separate from the County, but is financially accountable to the County or whose relationships with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The County must approve its tax rates and debt. The County could also take away its operating authority and could dissolve the District. This District was organized under the State of Utah's Statute for special service districts, Section 17A-2-1300. The component unit column of the combined financial statements includes the financial data of the entity:

- * **Special Service District #1 (Governmental Fund Type)** - This District was created by adoption of a resolution to establish a Special Service District by the Piute County Commissioners on February 13, 1989, for the purpose of improving roads, public health, hospital, recreation, flood control, or other areas allowed by Section 17A-2-1300 of the State of Utah code. The Special Service Districts administrative control board consists of three (3) members, each of whom was appointed the County Board of Commissioners. The District has entered into an interlocal agreement with the Towns in the County to operate and maintain a sanitary landfill operation. A copy of the report can be obtained at the Piute County Auditor's office in Junction, Utah.

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Piute County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The B Road Fund receives funding from the State Department of Transportation to be expended on eligible B Roads in the County.

The Building Authority Fund receives lease revenue payments and in turn makes revenue bond and interest payments on the new courthouse building.

Additionally the Government reports the following fund types:

The Treasurer's Tax Collection Agency Fund is used to account for taxes collected by the County Treasurer but not paid as of December 31 to the taxing entities within the County.

The Justice Court Trust Fund which collects fines and bail monies in the Justice Court and remits the monies to the appropriate agencies and parties to the court actions.

The Revolving Loan Trust Fund accounts for monies loaned to local businesses and receives principal and interest payments on those loans.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Equipment	3 - 15 Years

Compensated Absences:

The County has a policy which allows employees to accumulate vacation pay and sick pay. The County allows 16 hours of vacation pay to be carried over from year to year.

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in at least one issue of the newspaper of general circulation published within the County in the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the County Commission in the month of November, the County Auditor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the County Commission makes final adjustments to the tentative budget.
4. On or before December 15, the County Commission adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The County Commission may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the County Commission.
8. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Counties require Counties to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Tax Calendar:

- | | |
|-------------|--|
| January 1 | Lien Date - All property appraised based upon situs and status as of this date (real and personal). |
| March 1 | Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice. |
| June 22 | All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor. |
| July 22 | County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| September 1 | State Tax Commission approves tax rates. |
| November 1 | County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit. |
| November 1 | County auditor to charge the county treasurer to account for all taxes levied. |
| November 1 | County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings. |
| November 30 | Taxes on real property become delinquent. |

NOTE 2 - DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds. Each fund types portion of this pool is displayed on the combined balance sheet as "Cash and Investments".

Deposits:

At December 31, 2004, the carrying amount of Piute County's deposits for the primary government was \$81,532 and the bank balance was \$125,415. Of the bank balance \$100,000 was covered by federal depository insurance. At December 31, 2004, the carrying amount for the component unit was (\$43,260) and the bank balance was \$15,468. All of the bank balance was covered by federal depository insurance. The remaining deposits for the primary government were uninsured and uncollateralized and were held by various financial institutions. The State of Utah does not require collateral on deposits. However, the State Commissioner of Financial Institutions monitors financial institutions monthly and establishes limits for deposit of public money at individual financial institutions.

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

Statutes authorize the County to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standards & Poor's Corporation or P-1 by Moody's Commercial Paper Record, Bankers' acceptances, repurchase agreements and the state treasurer's investment pool. The County is also authorized to enter into reverse repurchase agreements.

The County's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the County's name.

Piute County's temporary investments at December 31, 2004, consisted of the following:

Primary Government:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Investments:				
Cash - Zions Escrow	<u>-</u>	<u>-</u>	<u>-</u>	44,685
Other Items:				
State Treasurer's Investment Pool				<u>905,280</u>
Total Investments				<u>949,965</u>

Cash is reflected in the financial statements as follows:

Governmental Activities	534,770
Fiduciary Activities	<u>496,727</u>
Total	<u>1,031,497</u>

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Component Unit:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Other Items:				
State Treasurer's Investment Pool				<u>226,138</u>
Total Investments				<u>226,138</u>

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

NOTE 3 - BOND RESERVES

The Piute County Municipal Building Authority is required to make an annual deposit to the Debt Service Reserve Account for the Courthouse bond. The amount of the annual payment is \$7,284. These annual deposits will continue until the balance in the Reserve Account reaches \$43,704 at which time no additional contributions are required. The balance of the account at December 31, 2004, was \$43,704.

NOTE 4 - TRANSIENT ROOM TAX

Generally, the activity relating to Transient Room Tax is recorded in a Special Revenue Fund. However, due to the relatively small amount of collections received by Piute County, the revenue and expenditures are recorded, and budgeted for, in the General Fund.

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2004, was as follows:

Capital Assets (Primary Government):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	19,000	-	-	19,000
Land Under Roads	560,000	-	-	560,000
Infrastructure	<u>725,250</u>	<u>-</u>	<u>-</u>	<u>725,250</u>
 Total Capital Assets Not Being Depreciated	 <u>1,304,250</u>	 <u>-</u>	 <u>-</u>	 <u>1,304,250</u>
 Capital Assets Being Depreciated:				
Buildings	3,140,000	-	-	3,140,000
Equipment	903,200	55,000	-	958,200
Vehicles	<u>156,500</u>	<u>64,000</u>	<u>-</u>	<u>220,500</u>
 Total Capital Assets Being Depreciated	 <u>4,199,700</u>	 <u>119,000</u>	 <u>-</u>	 <u>4,318,700</u>
 Less Accumulated Depreciation For:				
Buildings	469,000	78,500	-	547,500
Equipment	629,820	56,420	-	686,240
Vehicles	<u>131,300</u>	<u>21,200</u>	<u>-</u>	<u>152,500</u>
 Total Accumulated Depreciation	 <u>1,230,120</u>	 <u>156,120</u>	 <u>-</u>	 <u>1,386,240</u>
 Total Capital Assets Being Depreciated (Net)	 <u>2,969,580</u>	 <u>(37,120)</u>	 <u>-</u>	 <u>2,932,460</u>
 Governmental Activities Capital Assets, Net	 <u><u>4,273,830</u></u>	 <u><u>(37,120)</u></u>	 <u><u>-</u></u>	 <u><u>4,236,710</u></u>

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

General Government	73,750
Public Safety	16,770
Public Health	6,000
Highways and Public Improvements	<u>59,600</u>
Total Depreciation Expense	<u><u>156,120</u></u>

Component Units:

Statement of Changes in Capital Assets (Component Units) as of December 31, 2004:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Capital Assets Being Depreciated:				
Equipment	46,000	-	-	46,000
Vehicles	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>13,000</u>
Total Capital Assets Being Depreciated	<u>59,000</u>	<u>-</u>	<u>-</u>	<u>59,000</u>
Less Accumulated Depreciation For:				
Equipment	33,350	2,300	-	35,650
Vehicles	<u>650</u>	<u>1,300</u>	<u>-</u>	<u>1,950</u>
Total Accumulated Depreciation	<u>34,000</u>	<u>3,600</u>	<u>-</u>	<u>37,600</u>
Total Capital Assets Being Depreciated (Net)	<u>25,000</u>	<u>(3,600)</u>	<u>-</u>	<u>21,400</u>
Governmental Activities Capital Assets, Net	<u><u>27,000</u></u>	<u><u>(3,600)</u></u>	<u><u>-</u></u>	<u><u>23,400</u></u>

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 6 - MUNICIPAL BUILDING AUTHORITY

During 1997 the Piute County Municipal Building Authority completed construction of a new courthouse facility a cost of \$2,500,000. The Municipal Building Authority has entered into lease agreements with Federal and State agencies for space in the new courthouse facility. Proceeds from these lease agreements are pledged to service the revenue bond indebtedness. The estimated revenue from these leases will cover the annual debt service payment.

NOTE 7 - CAPITAL LEASE

The County obtained financing from Scott Machinery through Deere Credit, Inc. for the purpose of acquiring a JD93 Grader. The lease requires yearly payments of \$17,715.76 over three years. The first payment was due May 14, 2002. This lease was paid off during 2004.

NOTE 8 - BONDS PAYABLE

During 1996 the Piute County Municipal Building Authority issued \$850,000 of revenue bonds at 3% interest to the Community Impact Board for the purpose of financing a new courthouse building.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	22,000	21,390	43,390
2006	23,000	20,730	43,730
2007	23,000	20,040	43,040
2008	24,000	19,350	43,350
2009	25,000	18,630	43,630
2010-2014	135,000	81,600	216,600
2015-2019	157,000	59,940	216,940
2020-2024	181,000	35,100	216,100
2025-2029	123,000	7,440	130,440
	<u>713,000</u>	<u>284,220</u>	<u>997,220</u>

The following is a schedule of changes in bonds payable:

	<u>Outstanding December 31, 2003</u>	<u>Issued</u>	<u>Matured</u>	<u>Outstanding December 31, 2004</u>
1996 CIB Revenue Bonds				
Courthouse	<u>734,000</u>	<u>-</u>	<u>21,000</u>	<u>713,000</u>

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 9 - CLASS "B" ROADS

The following is a schedule of changes in Class "B" Roads:

Receipts:	
State Allotments	346,631
Interest	3,946
Reimbursements	<u>102,482</u>
Total Receipts	<u>453,059</u>
Expenditures:	
Salaries and Wages	139,094
Employee Benefits	93,243
Travel	3,021
Supplies	100,956
Utilities	6,301
Professional Services	23,706
Special Department Supplies	8,611
Insurance	12,475
Capital Outlay	<u>73,376</u>
Total Expenditures	<u>460,783</u>
Excess Receipts Over Expenditures	(7,724)
Balance - Beginning of Year	<u>387,249</u>
Balance - End of Year	<u><u>379,525</u></u>

NOTE 10 - RELATED PARTY TRANSACTION

During the year the County paid \$11,100 to a County employee for computers and computer services. These expenditures were approved by the County Commission.

NOTE 11 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in the Utah Association of Counties Insurance Mutual, a self-funded risk financing pool administered by the Utah Association of Counties.

**PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2004

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Through the Mutual, the County maintains general liability, errors and omissions, flood, earthquake, newly acquired property, builders risk, unscheduled locations, and crime. The Mutual is reinsured through commercial companies in excess of \$150,000 for property to a limit of \$50,000,000 and \$250,000 for liability to a limit of \$750,000 with a combined excess aggregate of \$1,000,000 to \$1,350,000. The Mutual does not provide coverage for all risks and hazards, however, the County has obtained coverage for these risks through other commercial carriers for employee accidental death and dismemberment, workers compensation, and surety bond coverage.

In 2004 the County provided medical and health through a policy with Public Employees Health Plan (PEHP) of Utah. This program is administered through Utah Local Governments Trust, a self-funded risk financing pool of Utah Governmental entities, i.e., Cities, Towns and Counties. The maximum out-of-pocket expense per person per year is \$1,000 or \$2,000 per family per year.

Claims have not exceeded coverage in any of the last three calendar years.

NOTE 12 - PENSION PLAN

Local Governmental - Cost Sharing

Plan Description:

Piute County contributes to the Local Governmental Noncontributory Retirement System and Public Safety Other Division A Noncontributory Retirement System for employers with Social Security coverage both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement System (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Piute County is required to contribute a percent of covered salary to the respective systems, 11.90% to the Noncontributory and 19.08% to the Public Safety Other Division A Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

PIUTE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

NOTE 12 - PENSION PLAN (CONTINUED)

Piute County contributions to the various systems for the years ending December 31, 2004, 2003 and 2002 respectively were; for the Noncontributory System, \$29,907.64, \$26,059.91 and \$24,092.13; and for the Public Safety Other Division A Noncontributory, \$14,007.97, \$11,949.61 and \$11,368.06 respectively. The contributions were equal to the required contributions for each year.

NOTE 13 - INDIVIDUAL COMPONENT UNIT DISCLOSURES

Piute County has one component unit, a governmental fund type. It is described below:

Piute County Special Service District #1:

The District was authorized to construct, repair and maintain records and acquire and operate facilities for flood control, hospital, recreation and any other lawful public facilities. The general boundaries of the District are all of Piute County except the area in incorporated Towns.

Condensed financial statements for the component unit for the year ended December 31, 2004 follows:

Condensed Statement of Net Assets:

Current Assets	<u>226,138</u>
Current Liabilities	43,960
Fund Equity	<u>182,178</u>
Total Liabilities and Fund Equity	<u>226,138</u>

Condensed Statement of Revenues, Expenditures and Changes in Fund Net Assets:

Revenues	267,357
Current Expenditures	<u>(295,832)</u>
Excess of Revenues Over (Under) Expenditures	(28,475)
Fund Balance - Beginning of Year	<u>210,653</u>
Fund Balance - End of Year	<u>182,178</u>

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**PIUTE COUNTY
CONDITION RATING OF THE COUNTY'S ROAD SYSTEM**

For The Year Ended December 31, 2004

Percentage of Lane-Miles in Good or Better Condition:

	<u>2004</u>
Paved	80
Gravel	95
Dirt (Native)	85
Bridges	90
Overall System	87

Percentage of Lane-Miles in Substandard Condition:

	<u>2004</u>
Paved	20
Gravel	5
Dirt (Native)	15
Bridges	2
Overall System	10

Comparison of Needed-to-Actual Maintenance/Preservation - Roads and Bridges:

	<u>2004</u>
Paved:	
Needed	215,000
Actual	210,000
Gravel:	
Needed	289,000
Actual	280,000
Dirt (Native):	
Needed	220,000
Actual	210,000
Overall System:	
Needed	724,000
Actual	<u>700,000</u>
Difference	<u>(24,000)</u>

The condition of road pavement is measured using the American...(AASHTO) pavement management system, which is based on stress factors found in pavement surfaces. The AASHTO pavement management system uses a measurement that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good condition (70-100), fair condition (50-69), and substandard condition (less than 50). It is the County's policy to maintain at least 80 percent of its road system at a good or better condition level. No more than 20 percent should be in substandard condition for paved and gravel roads. Condition assessments are determined every year.

This schedule only presents the information for 2004. GASB standards require reporting the last three complete condition assessments and needed-to-actual information for 5 years. However, the County implemented these new standards in 2004, and did not collect this information for the prior years. The County will continue to collect and retain this information so that over a period of five years it will be able to report the required information.

The condition of the County's bridges is determined using its Bridge Management and Inspection Program (BMIP). The bridge condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1.0 (Impaired or load restricted) to 7.0 (new). It is the County's policy to keep the number and square footage of deck area of bridges with a condition rating of 1.0 to 1.9 below 1 percent. All bridges are inspected every two years.

**PIUTE COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, January 1	<u>79,058</u>	<u>79,058</u>	<u>79,058</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
Current Property Taxes	98,000	102,460	122,832	20,372
Delinquent Prior Years Taxes	11,000	9,390	6,766	(2,624)
Assessing and Collecting Taxes	67,000	77,000	67,020	(9,980)
Fee-In-Lieu of Taxes	25,000	17,000	29,881	12,881
County Sales Tax	75,000	58,200	58,178	(22)
Sales and Use Tax	19,500	35,170	35,166	(4)
Transient Room Tax	<u>4,600</u>	<u>11,250</u>	<u>11,036</u>	<u>(214)</u>
Total Taxes	<u>300,100</u>	<u>310,470</u>	<u>330,879</u>	<u>20,409</u>
Licenses and Permits	<u>5,000</u>	<u>11,250</u>	<u>11,103</u>	<u>(147)</u>
Intergovernmental Revenue:				
Federal Monies	18,000	31,400	136,875	105,475
State Shared Revenue	65,000	57,000	23,773	(33,227)
Federal Payments in Lieu of Taxes	112,000	112,000	113,302	1,302
State Payments in Lieu of Taxes	2,040	2,040	-	(2,040)
State Liquor Fund	2,700	2,700	2,077	(623)
Local Units	<u>66,550</u>	<u>80,550</u>	<u>77,909</u>	<u>(2,641)</u>
Total Intergovernmental Revenue	<u>266,290</u>	<u>285,690</u>	<u>353,936</u>	<u>68,246</u>
Charges for Services:				
Clerk-Auditor Fees	2,000	3,300	3,289	(11)
Recorder's Fees	10,000	11,500	11,409	(91)
Sheriff Fees and Contracts	20,000	20,000	16,273	(3,727)
Emergency Management	7,000	7,000	1,250	(5,750)
Bailiff	400	400	-	(400)
District Court	23,000	23,000	28,099	5,099
Motor Vehicle	6,750	6,750	6,699	(51)
Economic Development	<u>40,000</u>	<u>60,000</u>	<u>51,515</u>	<u>(8,485)</u>
Total Charges for Services	<u>109,150</u>	<u>131,950</u>	<u>118,534</u>	<u>(13,416)</u>

**PIUTE COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows) Continued:				
Fines and Forfeitures	<u>55,000</u>	<u>57,000</u>	<u>40,676</u>	<u>(16,324)</u>
Miscellaneous Revenue:				
Sale of Property	5,000	20,000	26,777	6,777
Interest	9,500	9,500	5,506	(3,994)
Refunds and Miscellaneous	<u>30,000</u>	<u>105,000</u>	<u>56,182</u>	<u>(48,818)</u>
Total Miscellaneous Revenue	<u>44,500</u>	<u>134,500</u>	<u>88,465</u>	<u>(46,035)</u>
Use of Surplus	<u>70,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Amounts Available for Appropriation	<u>929,098</u>	<u>1,059,918</u>	<u>1,022,651</u>	<u>(37,267)</u>
Charges to Appropriations (Outflows):				
General Government:				
Commission	41,050	41,050	41,033	17
Judicial Court	21,800	21,800	19,109	2,691
District Court	25,100	25,100	16,696	8,404
Clerk-Auditor	42,150	42,150	39,490	2,660
Recorder-Treasurer	67,250	67,250	67,133	117
Attorney	36,250	36,250	35,266	984
Assessor	63,710	63,710	62,120	1,590
Public Defender	7,000	7,000	6,540	460
Non-Departmental	113,940	111,400	102,538	8,862
General Government Buildings	<u>32,100</u>	<u>36,200</u>	<u>33,097</u>	<u>3,103</u>
Total General Government	<u>450,350</u>	<u>451,910</u>	<u>423,022</u>	<u>28,888</u>
Public Safety:				
Sheriff	177,100	266,300	263,617	2,683
Liquor Law	4,500	4,500	2,408	2,092
Drug Enforcement	1,800	1,800	1,776	24
Jail Corrections	8,500	8,500	3,302	5,198
Fire Combat	7,100	7,100	2,558	4,542
Emergency Management	<u>13,100</u>	<u>13,800</u>	<u>13,795</u>	<u>5</u>
Total Public Safety	<u>212,100</u>	<u>302,000</u>	<u>287,456</u>	<u>14,544</u>

**PIUTE COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows) Continued:				
Public Health:				
Health Services	21,400	21,400	20,442	958
Ambulance	24,250	30,850	27,007	3,843
Public Welfare	7,150	9,550	8,262	1,288
Total Public Health	52,800	61,800	55,711	6,089
Highways and Public Improvements:				
County Roads	8,500	8,500	2,178	6,322
GIS/RS2477	41,600	41,600	39,066	2,534
Total Highways and Public Improvements	50,100	50,100	41,244	8,856
Conservation and Economic Development:				
Recreation and Television	26,000	26,000	26,636	(636)
Agriculture and Extension Service	21,250	24,250	22,967	1,283
USU Education	14,250	14,250	13,786	464
Exhibits	4,000	4,600	4,299	301
Economic Development	19,190	45,950	42,068	3,882
Total Conservation and Economic Development	84,690	115,050	109,756	5,294
Total Charges to Appropriations	850,040	980,860	917,189	63,671
Budgetary Fund Balance - December 31	79,058	79,058	105,462	26,404

**PIUTE COUNTY
BUDGETARY COMPARISON SCHEDULE
CLASS B ROAD**

For The Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, January 1	<u>387,250</u>	<u>387,250</u>	<u>387,250</u>	<u>-</u>
Resources (Inflows):				
Intergovernmental	375,000	375,000	346,631	(28,369)
Interest	5,000	5,000	3,947	(1,053)
Miscellaneous	40,000	40,000	102,480	62,480
Use of Surplus	<u>270,000</u>	<u>270,000</u>	<u>-</u>	<u>(270,000)</u>
Amounts Available for Appropriation	<u>1,077,250</u>	<u>1,077,250</u>	<u>840,308</u>	<u>(236,942)</u>
Charges to Appropriations (Outflows):				
County Roads	<u>690,000</u>	<u>690,000</u>	<u>460,783</u>	<u>229,217</u>
Total Charges to Appropriations	<u>690,000</u>	<u>690,000</u>	<u>460,783</u>	<u>229,217</u>
Budgetary Fund Balance - December 31	<u><u>387,250</u></u>	<u><u>387,250</u></u>	<u><u>379,525</u></u>	<u><u>(7,725)</u></u>

**PIUTE COUNTY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL BUILDING AUTHORITY**

For The Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Budgetary Fund Balance, January 1	<u>60,338</u>	<u>60,338</u>	<u>60,338</u>	<u>-</u>
Resources (Inflows):				
Intergovernmental	50,000	50,000	55,000	5,000
Interest	15,000	15,000	-	(15,000)
Miscellaneous	<u>61,000</u>	<u>61,000</u>	<u>57,495</u>	<u>(3,505)</u>
Amounts Available for Appropriation	<u>186,338</u>	<u>186,338</u>	<u>172,833</u>	<u>(13,505)</u>
Charges to Appropriations (Outflows):				
Administrative	50,721	50,721	30,271	20,450
Debt Service:				
Principal	21,000	21,000	21,000	-
Interest	<u>24,000</u>	<u>24,000</u>	<u>22,608</u>	<u>1,392</u>
Total Charges to Appropriations	<u>95,721</u>	<u>95,721</u>	<u>73,879</u>	<u>21,842</u>
Budgetary Fund Balance - December 31	<u><u>90,617</u></u>	<u><u>90,617</u></u>	<u><u>98,954</u></u>	<u><u>8,337</u></u>

**PIUTE COUNTY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Year Ended December 31, 2004

	<u>General Fund</u>	<u>Class B Road</u>	<u>Municipal Building Authority</u>
Sources/Inflows and Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	1,022,652	840,309	172,833
Differences - Budget to GAAP:			
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(79,058)</u>	<u>(387,250)</u>	<u>(60,338)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>943,594</u>	<u>453,059</u>	<u>112,495</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	917,190	46,784	73,879
Differences - Budget to GAAP:			
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>917,190</u>	<u>46,784</u>	<u>73,879</u>

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

(This page contains no information and
is used to assist in formatting, for easier reading)

PIUTE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For The Year Ended December 31, 2004

	Balance December 31, 2003	Additions	Deletions	Balance December 31, 2004
<u>COUNTY J. P.'S TRUST FUND</u>				
ASSETS				
Cash	<u>2,673</u>	<u>132,922</u>	<u>87,810</u>	<u>47,785</u>
LIABILITIES				
Collections Payable	<u>2,673</u>	<u>132,922</u>	<u>87,810</u>	<u>47,785</u>
<u>TREASURER'S TRUST FUND</u>				
ASSETS				
Cash	434,428	669,427	656,957	446,898
Taxes Receivable	<u>38,654</u>	<u>22,172</u>	<u>38,654</u>	<u>22,172</u>
TOTAL ASSETS	<u>473,082</u>	<u>691,599</u>	<u>695,611</u>	<u>469,070</u>
LIABILITIES				
Due to Taxing Units	<u>473,082</u>	<u>691,599</u>	<u>695,611</u>	<u>469,070</u>
<u>REVOLVING LOAN FUND</u>				
ASSETS				
Cash	1,868	1,724	3,500	92
Loans Receivable	<u>47,347</u>	<u>3,500</u>	<u>-</u>	<u>50,847</u>
TOTAL ASSETS	<u>49,215</u>	<u>5,224</u>	<u>3,500</u>	<u>50,939</u>
FUND BALANCE				
Fund Balance	<u>49,215</u>	<u>5,224</u>	<u>3,500</u>	<u>50,939</u>
<u>BULLION CANYON</u>				
ASSETS				
Cash	<u>1,809</u>	<u>213</u>	<u>70</u>	<u>1,952</u>
LIABILITIES				
Collections Payable	<u>1,809</u>	<u>213</u>	<u>70</u>	<u>1,952</u>

(Continued)

PIUTE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For The Year Ended December 31, 2004

	Balance December 31, 2003	Additions	Deletions	Balance December 31, 2004
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	440,778	804,286	748,337	496,727
Taxes Receivable	38,654	22,172	38,654	22,172
Loans Receivable	47,347	3,500	-	50,847
TOTAL ASSETS	<u>526,779</u>	<u>829,958</u>	<u>786,991</u>	<u>569,746</u>
LIABILITIES AND FUND BALANCE				
Due to Taxing Units	473,082	691,599	695,611	469,070
Collections Payable	4,482	133,135	87,880	49,737
Fund Balance	49,215	5,224	3,500	50,939
TOTAL LIABILITIES AND FUND BALANCE	<u>526,779</u>	<u>829,958</u>	<u>786,991</u>	<u>569,746</u>

**PIUTE COUNTY
TREASURER'S TRUST FUND
BALANCE SHEET**

December 31, 2004

ASSETS:

Cash Invested	446,898
Taxes Receivable	<u>22,172</u>
TOTAL ASSETS	<u><u>469,070</u></u>

LIABILITIES:

Collections Payable	5,450
Due to Taxing Units	<u>463,620</u>
TOTAL LIABILITIES	<u><u>469,070</u></u>

**PIUTE COUNTY
COUNTY TREASURER
STATEMENT OF TAXES CHARGED, COLLECTED AND DISBURSED
CURRENT AND PRIOR YEARS**

December 31, 2004

<u>Current Years Taxes</u>					
TAXING UNITS	<u>Year-End Value</u>	<u>Tax Rate</u>	<u>Taxes Charged</u>	<u>Treasurer's Relief</u>	
				<u>Unpaid Taxes</u>	<u>Abatements</u>
County Funds:					
General	51,303,645	.002057	105,532	5,065	3,729
State Assessing and Collecting	51,303,645	.000180	9,235	443	326
County Assessing and Collecting	51,303,645	.000195	10,004	479	353
Total County Funds			<u>124,770</u>	<u>5,987</u>	<u>4,408</u>
Central Utah Water Conservancy District	51,303,645	.000353	<u>18,110</u>	<u>869</u>	<u>640</u>
Upper Sevier Water Conservancy District	51,303,645	.000045	<u>2,309</u>	<u>111</u>	<u>82</u>
Piute County School District	51,303,645	.005804	<u>297,766</u>	<u>14,289</u>	<u>10,520</u>
Towns:					
Circleville	12,843,640	.000655	8,413	328	231
Junction	5,352,750	.002503	13,398	625	973
Kingston	2,917,540	.001658	4,837	165	340
Marysvale	13,176,155	.000728	9,592	375	501
Total Towns			<u>36,240</u>	<u>1,493</u>	<u>2,045</u>
GRAND TOTALS			<u>479,196</u>	<u>22,749</u>	<u>17,695</u>

Current Years Taxes				Other Collections		
Treasurer's Relief		Taxes Collected	Rate	Fee In Lieu	Delinquencies	
Other	Total Treasurer's Relief				Tax	Penalty/ Interest
476	9,270	96,262	91.22%	29,881	4,821	1,945
42	811	8,424	91.22%	2,614	422	170
45	877	9,127	91.23%	2,826	456	184
563	10,958	113,812	91.22%	35,321	5,699	2,299
82	1,591	16,519	91.21%	5,243	836	48
10	203	2,106	91.21%	688	111	6
1,340	26,149	271,617	91.22%	86,336	13,842	792
-	559	7,854	93.36%	3,746	515	36
-	1,598	11,800	88.07%	3,479	1,042	72
-	505	4,332	89.56%	2,159	152	5
-	876	8,716	90.87%	3,181	443	42
-	3,538	32,702	90.24%	12,565	2,152	155
1,995	42,439	436,757	91.14%	140,153	22,640	3,300

**PIUTE COUNTY
TAX COLLECTION TRUST FUND
CASH RECEIPTS AND DISBURSEMENTS**

For The Year Ended December 31, 2004

	Treasurer's Balance December 31, 2003	Tax Collection Receipts	Current Taxes Apportioned	Delinquent Taxes and Interest Apportioned
Tax Collection Accounts:				
Current Years Taxes	-	436,756	(436,756)	-
Redemption of Prior Years Taxes	-	25,940	-	(25,940)
Other Taxes	-	17,241	-	-
Motor Carrier	-	26,036	-	-
Fee-In-Lieu	-	140,153	-	-
May Tax Sale	-	1,250	-	-
Forest Reserve	11,871	-	-	-
Refunds	1,938	1,812	-	-
Interest	5,136	3,758	-	-
	<u>18,945</u>	<u>652,946</u>	<u>(436,756)</u>	<u>(25,940)</u>
Total				
Taxing Units:				
County Funds:				
General	-	-	113,811	7,998
Central Utah Water Conservancy District	22,932	-	16,519	884
Upper Sevier Water Conservancy District	3,032	-	2,106	117
Piute School District	379,323	-	271,617	14,634
Towns:				
Circleville	12,173	-	7,854	551
Junction	17,898	-	11,800	1,114
Kingston	7,137	-	4,332	157
Marysvale	11,642	-	8,717	485
	<u>454,137</u>	<u>-</u>	<u>436,756</u>	<u>25,940</u>
Total Due Taxing Units				
GRAND TOTALS	<u>473,082</u>	<u>652,946</u>	<u>-</u>	<u>-</u>

<u>Delinquent Taxes and Interest Apportioned</u>	<u>Motor Carrier Apportioned</u>	<u>Fee-In-Lieu Apportioned</u>	<u>Total</u>	<u>Disbursements</u>	<u>Treasurer's Balance December 31, 2004</u>
-	-	-	-	-	-
-	-	-	-	-	-
(17,241)	-	-	-	-	-
-	(26,036)	-	-	-	-
-	-	(140,153)	-	-	-
-	-	-	1,250	1,250	-
-	-	-	11,871	11,871	-
-	-	-	3,750	2,058	1,692
-	-	-	8,894	5,136	3,758
<u>(17,241)</u>	<u>(26,036)</u>	<u>(140,153)</u>	<u>25,765</u>	<u>20,315</u>	<u>5,450</u>
2,966	6,650	35,321	166,746	166,746	-
431	988	5,243	46,997	23,710	23,287
52	130	688	6,125	3,136	2,989
7,034	16,260	86,336	775,204	392,218	382,986
862	484	3,746	25,670	12,659	13,011
3,017	747	3,479	38,055	18,903	19,152
2,017	283	2,159	16,085	7,275	8,810
<u>862</u>	<u>494</u>	<u>3,181</u>	<u>25,381</u>	<u>11,995</u>	<u>13,386</u>
<u>17,241</u>	<u>26,036</u>	<u>140,153</u>	<u>1,100,263</u>	<u>636,642</u>	<u>463,621</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,126,028</u>	<u>656,957</u>	<u>469,071</u>

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is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants
A Professional Corporation

Box 663
Richfield, Utah 84701
Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board of County Commissioners
Piute County
Junction, Utah 84740

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Piute County as and for the year ended December 31, 2004, which collectively comprise Piute County's basic financial statements and have issued our report thereon dated June 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Piute County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Piute County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Piute County in a separate letter dated June 3, 2005.

The Honorable Board of County Commissioners
Piute County
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This report is intended solely for the information and use of the audit committee, management, County Commission and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 3, 2005
Richfield, Utah

Kimball & Roberts

*Certified Public Accountants
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*Box 663
Richfield, Utah 84701
Phone 896-6488*

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board of County Commissioners
Piute County
Junction, Utah 84740

We have audited the basic financial statements of Piute County, for the year ended December 31, 2004, and have issued our report thereon dated June 3, 2005. As part of our audit, we have audited Piute County's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2004. The County received the following major State assistance programs from the State of Utah:

B Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The County also received the following nonmajor grants that are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Piute County's financial statements.)

GIS Grant (Department of Administrative Services, Div. of Info. Technology Services)
EMS Grant (Department of Public Safety)
Bookmobile Grant (Department of Community and Economic Development)
Cert Grant (Department of Public Safety)
Cemetery Grant (Department of Community and Economic Development)

Our audit also included testwork on the County's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of Piute County is responsible for the County's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Piute County, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2004.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 3, 2005
Richfield, Utah

PIUTE COUNTY
MANAGEMENT LETTER
DECEMBER 31, 2004

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

June 3, 2005

The Honorable Board of County Commissioners
Piute County
Junction, Utah 84740

During our audit of the funds of Piute County for the year ended December 31, 2004, we noted a certain area needing corrective action in order for the County to be in compliance with state laws and regulations. We also found certain circumstances that, if improved, would strengthen the County's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Cash Management

Utah Code 51-4-2(2) requires that all public funds be deposited daily, whenever practicable, but no later than three days after receipt.

Finding:

During our tests of cash receipts we noted that the County is not always depositing public funds within three days of receipt.

Recommendation:

We recommend that the County set policies to provide for the deposit of public funds daily, or within three days of receipt, as required by State Code.

Response:

The above finding was discussed with Piute County officials and they concur with the recommendation.

INTERNAL CONTROLS:

Payroll

Finding:

During our tests of payroll we noted that the time cards are not being approved, signed or initialed and dated by the department supervisors.

Recommendation:

We recommend that the department supervisors review, sign and date the time cards of the employees in their department.

Response:

The above finding was discussed with Piute County officials and they concur with the recommendation.

Revolving Loan Fund

Finding:

During our audit we noted that the Revolving Loan Fund was not being kept up to date. When personnel changes took place there was not proper directions given to new personnel as to what their responsibilities were regarding the outstanding loans.

Recommendation:

We recommend that the Revolving Loan Fund be properly monitored and the notices sent out when loan payments are due.

Response:

The above finding was discussed with Piute County officials and they concur with the recommendation.

TC-750 – Personal Property

Finding:

Our audit of the Treasurer revealed that personal property was not being accounted for as a separate item on the TC-750.

Recommendation:

We recommend that the Treasurer work with the Assessor to obtain taxable values and that these values be separated on the TC-750 for proper reporting purposes.

Response:

The above finding was discussed with Piute County officials and they concur with the recommendation.

The Honorable Board of County Commissioners
Piute County
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We would like to take this opportunity to thank Piute County's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants

DKK/vl